
Meeting:	Transport for the North Audit and Governance Committee
Subject:	Draft Audit and Governance Committee Annual Report to TfN Board
Author:	Graham Bell, Chair of TfN Audit and Governance Committee
Sponsor:	Paul Kelly, Interim Finance Director
Meeting Date:	Friday 15 September 2023

1. Purpose of the Report:

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee over the last year.
- 1.2 The report provides a summary on the committee's activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.3 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

2. Recommendations:

- 2.1 It is recommended that the Board approve the corporate governance review and the Annual Governance Statement.
- 2.2 It is recommended that the Board notes the recommendation in the Annual Progress Report of the Audit & Governance Committee to approve the Statement of Accounts for 2022/23.
- 2.3 It is recommended that the Board approve the Statement of Accounts for financial year 2022/23.

3. Main Issues/Audit and Governance Committee Progress Report:

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs. The committee's terms of reference are appended to this report for reference (Appendix 3), but the committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 3.2 At its meeting of 30 June 2022, TfN Board approved the increase of the number of Members of the Audit & Governance Committee from five to six, supported by four Independent Members appointed by an open recruitment process. The committee is chaired by an Independent Member. At the meeting of 14 July 2022, Graham Bell was confirmed as the new Chair of the Committee. Aligned with local authority elections, new elected members were appointed by the Board in July 2023. A recruitment process to fill the final two independent seats was conducted over the summer and was submitted to the General Purposes Committee for approval.
- 3.3 Over the 2022/23 financial year the committee met five times. Meetings have been attended by TfN's internal and external audit providers (RSM and Mazars respectively) and representatives from DfT.

Work Plan

- 3.4 Over the year the committee has agreed a number of standing items that should be brought before the committee by officers. These include:
 - The Corporate Risk Register
 - Financial Reporting

- Constitution Reviews

In addition, the relevant Operating Report is provided to the Committee for consideration. For 2022/23 the frequency of the report was changed from monthly to quarterly.

- 3.5 The committee also requires that instances, or suspicion, of fraud and corruption are reported to the committee directly. No such reports were received in 2022/23.
- 3.6 In addition to this, the committee also approved the internal audit programme of activity. This programme has been designed to provide the committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 At the meeting of 9 August 2023, the Statutory Accounts, including the Annual Governance Statement, were presented to the A&G committee.
- 3.9 The committee’s activity vis-à-vis its terms of reference is presented in matrix form in Appendix 4.

Internal Audit Activity

- 3.10 RSM was originally appointed as TfN’s internal audit provider in 2018 following a competitive procurement exercise and the service provision was extended for two years to cover the period from 2021-23. We are currently going out to tender for the Internal Audit service for the three-year period from 2024-2027.
- 3.11 The committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks.
- 3.12 RSM was able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Payroll	√			
Risk Maturity (Advisory)				
GDPR (Advisory)				
Equality and Diversity		√		
Project Management		√		

In addition, the audit to follow up on the recommendations made by the internal auditor in previous audit reports, identified “good progress” in relation to the follow up actions agreed with management.

- 3.13 The committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.14 The committee has tracked progress against agreed management actions throughout the year.

External Audit Activity

- 3.15 Mazars was appointed as TfN’s statutory auditor in 2018 via the Public Sector Audit Appointment (“PSAA”) process and continued in this role during the year. The PSAA concluded the process of reprocurring a solution for the period from 2023/24 onwards which resulted in the reappointment of Mazars.

- 3.16 Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a 'true and fair view' of TfN's affairs, and also gives a value-for-money opinion.
- 3.17 The committee has received Progress Reports from officers and Mazars throughout the year regarding progress in relation to the completion of the accounts and their subsequent audit and has reviewed the draft unaudited accounts at its meeting of 8 August 2023. The committee will consider the findings of the external audit process, as conveyed at the A&G meeting of 15 September 2023, when formulating their view on whether the Statement of Accounts should be submitted to the TfN Board for approval.
- 3.18 The committee notes that the process of finalising the Transport for the North accounts has been completed within the deadline of 30 September 2023 and that Transport for the North will use the Board meeting of 27 September 2023 to approve the 2022/23 financial statements in advance of that deadline.
- 3.19 Mazars will only report their audit opinion when they have the pension fund assurance letter from the auditors of the pension fund. However, the committee has sufficient comfort to recommend the accounts to Board for approval.
- 3.20 As part of their audit, Mazars are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, ie value for money.

Risk

- 3.21 One of the first exercises that the committee undertook when it was first established was to review and approve Transport for the North's Risk Management Strategy. Subsequently, the committee has a standing agenda item in relation to risk.
- 3.22 During the year the committee has regularly reviewed the Risk Strategy and its output and provided feedback with regard to the presentation of the information provided. The committee has also requested the Risk Management Strategy places a specific focus on emerging risks and their effect on the risk register. The emerging risk environment is now a standing item reported within each update.
- 3.23 During the year we introduced a deep dive process around key risks. In November 2022 we reviewed the EVCI risk and at the subsequent meeting we agreed a programme of deep dives for 2023/24.

Next Steps

- 3.24 The work programme for 2023/24 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan;
 - Monitor Transport for the North's risk management activity;
 - Review corporate governance arrangements, supported by an internal audit review, against the Code of Corporate Governance and the good governance framework;
 - Based on the level of change faced by the organisation in the past and the rapidly changing environment going forward, the committee will track progress on delivery against the key budget assumptions;
 - The Committee has requested year on year improvements are considered and, where necessary, formally captured;
 - Continuation of deep dives;
 - Active consideration of committee performance; and
 - Further enhancements to the AGS.

4. Conclusion:

- 4.1 Having reviewed the findings of internal audit and the submissions of officers, the committee can provide assurance to the Board that in the areas reviewed TfN has implemented a sound control framework that appropriately manages risk.
- 4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the committee commends to the Board the Statement of Accounts as contained in this pack.

5. Corporate Considerations:

Financial Implications

- 5.1 The financial implications are detailed in the report

Resource Implications

- 5.2 There are no resource implications as a result of the report.

Legal Implications

- 5.3 Legal implications are included in the report.

Risk Management and Key Issues

- 5.4 The risks associated with the audits are detailed in the report.

Environmental Implications

- 5.5 A full impact assessment has not been carried out because it is not required for this report.

Equality and Diversity

- 5.6 A full impact assessment has not been carried out because it is not required for this report.

Consultations

- 5.7 A consultation has not been carried out because it is not necessary for this report.

6. List of Background Papers:

- 6.1 Transport for the North Constitution (latest copy available on TfN website) and Internal Audit Reports to the Audit & Governance Committee (copies available on TfN website).

7. Appendices:

Appendix 3 Audit and Governance Terms of Reference

Appendix 4 Audit and Governance Activity

Glossary of terms, abbreviations and acronyms used

- a) TfN Transport for the North